

Message Text

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PAGE 01 STATE 269747

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ORIGIN EUR-12

INFO OCT-01 ISO-00 SWF-01 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-01 INR-05 NSAE-00 RSC-01 CIEP-01 SP-02

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DRAFTED BY EUR/RPE:JTMCCARTHY:LW

APPROVED BY EUR/RPE:JTMCCARTHY

EB-MGLITMAN

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TREASURY-PSUCHMAN

USDA-GWHITE

----- 005412

P R 092240Z DE 74

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS PRIORITY

INFO AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

AMEMBASSY LUXEMBOURG

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E.O. 11652: N/A

TAGS: ETRD, EEC

SUBJECT: US-EC CONSULTATIONS: CONVERSATIONS ON DAIRY

SUMMARY: DURING SEVERAL DISCUSSIONS ON DAIRY IN THE
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PAGE 02 STATE 269747

PLENARY SESSION OF THE US-EC CONSULTATIONS AND SEPARATELY US AND EC HAD OPPORTUNITY TO AIR VIEWS ON CURRENT TRANSSHIPMENT PROBLEM AND ON NEED FOR LONG RANGE SOLUTION TO DAIRY PROBLEM. CONSULTATIONS CONCLUDED WITH AD REFERENDUM AGREEMENT TO PURSUE SECTION 204 ROUTE AS SOLUTION TO TRANSSHIPMENT PROBLEM AND TO CONSULT IN NEAR FUTURE ON DEVELOPING FACTUAL ANALYTICAL BASIS FOR LONG-TERM SOLUTION. END SUMMARY.

1. DAIRY QUESTION WAS RAISED DURING DECEMBER 5 AFTERNOON PLENARY AND IN SEVERAL WORKING MEETINGS ON DECEMBER 5-6. PRINCIPAL SPOKEMEN FOR EC WERE HIJZEN AND RABOT; US SIDE REPRESENTED LARGELY BY MALMGREN (STR), MACDONALD (TREASURY), WHITE (USDA) AND GLITMAN (EB).

2. US SIDE INDICATED NEED TO SOLVE CONTINUING PROBLEM OF TRANSSHIPMENT OF SUBSIDIZED CHEESE THROUGH CANADA. TREASURY NOTED THAT MOST RECENT FIGURES INDICATED THAT LARGE AMOUNTS OF PECCORINO CONTINUE TO ENTER THROUGH CANADA. EC SIDE ACKNOWLEDGED THAT TRANSSHIPMENTS CONSTITUTED A

BREACH OF THE JULY US-EC AGREEMENT TO CUT OFF SHIPMENT OF SUBSIDIZED CHEESES INTO US. EC SIDE, HOWEVER, IN INITIAL MEETINGS INDICATED IT FELT IT HAD GONE AS FAR AS IT COULD TOWARD ENDING THE TRANSSHIPMENT PROBLEM WITHOUT GOING TO THE COUNCIL OF MINISTERS FOR FURTHER AUTHORIZATION. MOREOVER THE EC SIDE EMPHASIZED THAT POLITICAL PRESSURES FOR RESTORING SUBSIDIES WERE INCREASING AND THAT THE COMMISSION COULD DO LITTLE MORE ON THE TRANSSHIPMENT PROBLEM UNTIL IT COULD INDICATE TO MEMBER STATES AND CHEESE EXPORTERS THAT SOME PROGRESS WAS BEING MADE ON A LONG-TERM SOLUTION TO GOVERN EXPORT OF EC DAIRY PRODUCTS. US EXPRESSED UNDERSTANDING OF EC POLITICAL PROBLEM BUT REPEATED THAT SHORT-TERM TRANSSHIPMENT PROBLEM WAS A JURIDICAL ONE AND REQUIRES URGENT ATTENTION.

3. BY THE CLOSE OF THE CONSULTATIONS BOTH SIDES HAD AGREED ON THE NEED FOR CONTINUING PROGRESS ON BOTH THE SHORT-TERM AND LONG-TERM PROBLEM. HIJZEN ACCEPTED FOR COMMISSION CONSIDERATION THE TEXT OF A PROPOSED DRAFT LETTER WHICH WOULD CONSTITUTE THE FIRST IN A SERIES OF LIMITED OFFICIAL USE

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PAGE 03 STATE 269747

THREE LETTERS EXCHANGE OF WHICH WOULD ALLOW THE US TO CLOSE ITS BORDER TO THE ENTRANCE OF SUBSIDIZED EC CHEESE FROM THIRD COUNTRIES. TEXT FOLLOWS:

DRAFT LETTER TO AMBASSADOR GREENWALD FROM DEPUTY DIRECTOR GENERAL FOR EXTERNAL RELATIONS, COMMISSION OF THE EUROPEAN ECONOMIC COMMUNITIES

DEAR MR. AMBASSADOR:

FOLLOWING THE TERMINATION BY THE EC ON JULY 12, 1974, OF RESTITUTION PAYMENTS ON THE EXPORT OF DAIRY PRODUCTS TO THE UNITED STATES' ZONE, YOU BROUGHT TO OUR ATTENTION THAT CERTAIN CHEESES ARE BEING IMPORTED FROM THE EUROPEAN COMMUNITY INTO THE CONTINENTAL U.S. AFTER HAVING BEEN PREVIOUSLY IMPORTED INTO (1) PUERTO RICO, THE VIRGIN ISLANDS OR OTHER U.S. POSSESSIONS AND TERRITORIES, AND (2) THIRD COUNTRIES. THESE SHIPMENTS, OF COURSE, RECEIVED THE EC EXPORT RESTITUTION PAYMENT IN EFFECT FOR EXPORTS TO SUCH THIRD COUNTRIES. AS YOU KNOW, THE INTENT OF THE EC COMMON AGRICULTURAL POLICY RULES IS THAT THE RESTITUTION PAYMENTS ARE MADE IN ORDER TO MAKE IT POSSIBLE TO SELL THE DAIRY PRODUCTS IN THE COUNTRY OF DESTINATION. TRANSSHIPMENTS FROM ONE ZONE TO ANOTHER ARE CLEARLY A SUBVERSION OF THE INTENT OF THESE RULES. AS YOU KNOW, THE COMMISSION HAS TAKEN CERTAIN STEPS WHICH, YOU HAVE ADVISED US, MAY NOT SOLVE THE PROBLEM. IT IS THEREFORE PROPOSED THAT YOU SHOULD TAKE SUCH STEPS AS MAY LEGALLY BE POSSIBLE TO PREVENT SHIPMENTS OF DAIRY PRODUCTS TO

WHICH RESTITUTION PAYMENTS ARE APPLICABLE PROVIDED THAT:

(1) UNDER NO CIRCUMSTANCES SHALL YOU USE THIS LETTER AS AUTHORITY TO PREVENT THE SHIPMENT OR TRANSHIPMENT OF DAIRY PRODUCTS AS TO WHICH NO RESTITUTION PAYMENTS ARE APPLICABLE.

(2) UNDER NO CIRCUMSTANCES SHALL YOU USE THIS LETTER AS AUTHORITY TO PREVENT DIRECT SHIPMENTS FROM THE EC COUNTRIES DIRECTLY TO ZONE E (CONTINENTAL U.S.).

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PAGE 04 STATE 269747

(3) THIS AUTHORITY MAY BE WITHDRAWN BY US AT ANY TIME ON 30 DAY'S NOTICE.

YOU SHOULD RELY ON OUR PUBLISHED RESTITUTION PAYMENTS IN DETERMINING WHICH DAIRY PRODUCTS ARE BENEFITING FROM THESE PAYMENTS AT ANY GIVEN TIME. IF YOU HAVE ANY QUESTIONS CONCERNING THIS YOU SHOULD CONSULT APPROPRIATE OFFICIALS OF THIS COMMISSION.

PLEASE ADVISE US WHETHER YOU CONSIDER THIS A SUITABLE BASIS FOR SOLVING OUR MUTUAL DIFFICULTIES.

--- SINCERELY YOURS,

THIS LETTER WOULD BE ANSWERED BY THE US, INDICATING THAT WE WOULD TAKE THE STEPS PROPOSED IN THE EC LETTER UNDER AUTHORITY PROVIDED IN SECTION 204 OF THE US AGRICULTURE ACT OF 1956 AS AMENDED. FOLLOWING SUCH AN EXCHANGE, THIS AUTHORITY WOULD ALLOW US TO EMBARGO TRANSSHIPMENT AT THE BORDER. A THIRD LETTER, FROM THE COMMISSION, WOULD ACKNOWLEDGE RECEIPT OF THE US LETTER.

4. AT THE SAME TIME BOTH SIDES WILL BEGIN EXAMINING POSSIBILITIES FOR RESOLVING THE LONG-TERM DAIRY PROBLEM. AS A FIRST STEP IN THIS PROCESS IT WAS AGREED THAT TECHNICAL LEVEL DISCUSSIONS SHOULD TAKE PLACE IN THE NEAR FUTURE. HIJZEN CONCLUDED THAT, ON THAT BASIS HE WOULD SEEK TO INITIATE THE EXCHANGE OF CORRESPONDENCE OUTLINED ABOVE IN CONSULTATION WITH MEMBER STATES REPRESENTATIVES BUT WITHOUT COUNCIL APPROVAL. KISSINGER

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